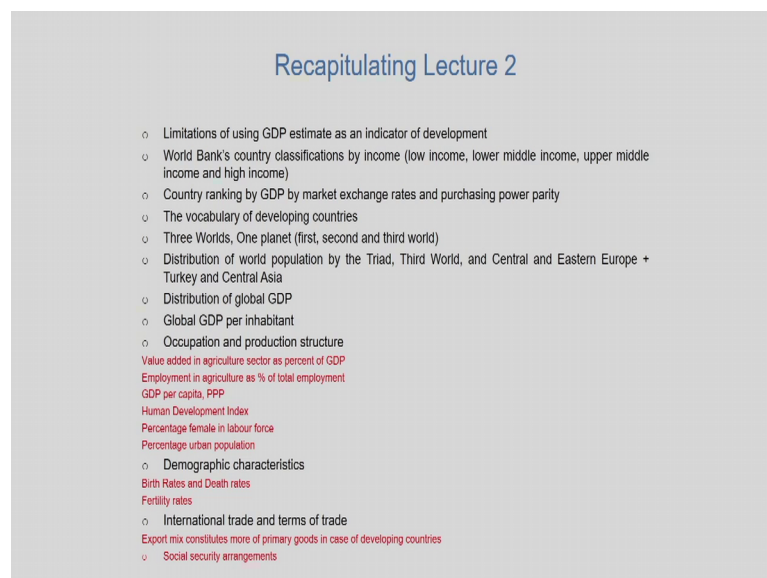


Economic Growth and Development
Dr. Rajashree Bedamatta
Department of Humanities & Social Sciences
Indian Institute of Technology, Guwahati

Lecture – 03
The Global North and the Global South: Why the Divide?

Hello and welcome to the third lecture of the NPTEL, MOOCs course on Economic Growth and Development. Today's class has been planned as a general lecture titled The Global North and the Global South, Why the Divide?

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As with the previous classes we will begin with a recapitulation of the last class. In the last class, we first began looking at the limitations of using GDP estimate as an indicator of development. By now we know that GDP is one of the most used indicators of a economic development, representations of economic development. However, we discussed that there are at least four important limitations of using GDP estimate. One of the first is that it does not take into account unpaid work within the economy. In the macroeconomic terminology, it is referred to as social production, which basically means that men and women staying back at home who take care of children, who take care of the elderly or who look after the household chores are not their activities are not valued in the GDP estimate.

Now, you may ask why it is important to value these activities, it is important to value these activities because these activities also add to human capital formation in the economy, or what is referred to as social reproduction. And since unpaid activities are not valued this leads to an underestimation of the GDP estimate as an appropriate indicator of economic development.

The second limitation that we saw with respect to GDP estimate is that it does not take into account the environmental damages that get caused due to the production of goods and services. Now, every production of a, any production activity or production of goods and services has its associated environmental costs. And these environmental costs does not enter as a debit in the valuation exercise of national income accounting. Now, that is not to say that there have been no efforts in trying to element the incorporation of environmental damages in GDP valuation or GNP valuation you may have heard of concepts such as green GDP or green GNP which is being tried by various organizations globally to be included in GDP estimation. However, in the mainstream growth and development literature, it does not get accounted as an indicator of economic development.

The third limitation that we saw was with respect to the amount of time and effort used in the production of goods and services that does not get valued in the GDP. We know that various countries across the world have different endowments, they have different resource endowments, they have different labor endowments, there are different capital and labor combinations in different countries across the world which means that various goods and services will have various amounts of labor intense, the intent the intensity of labor use in different countries also differ. Now, these labor intensity does not get valued in GDP estimates which also may lead to a severe under estimation of GDP estimate.

The fourth and the final limitation that we saw with respect to the GDP estimate was that inequalities within a country does not get captured. We know that every country across the world globally has different standards of living of different people, while the neither does the GDP estimate nor does national income per capita take into account these income inequalities.

As we saw in the first few classes, that it is only the formal organized sector that gets valued in GDP. The large informal unorganized sector anyway gets excluded in the GNP,

GDP valuations. Therefore, inequalities does not get reflected which means that if we are saying that such a that a country A or a country B is growing at such and say such, and such economic growth rate, it does not really tell us anything about the poverty of those countries; because we are not accounting for those differences in inequality.

We also looked at the World Bank's country classifications by income, while the vocabularies developed countries, developing countries, under developed countries are important in the literature. The first world, second world and the third world, it is also important to look at country by income classification primarily, because these distinctions have become fluid or less rigid in the recent years. And the World Bank's World Development Indicators of 2017 showed us that there are primarily four country classifications that the World Bank follows low income, lower middle income, upper middle income and high income.

We also saw that the low income countries are largely the Sub-Saharan African countries, the lower middle income countries are the South Asian countries; the upper middle income are parts of Central Asia, many countries in South America, Russia and so on and so forth. And the high income countries are largely the North American countries. It was also interesting to see the rankings of countries by GDP; we used two estimates here, GDP by market exchange rates and GDP by purchasing power parity. The GDP by market exchange rates are showed that USA still continues to be the number one country with respect to national incomes.

However, when we converted it to the purchasing power parity terms, we saw that China replaces USA, as far as GDP estimates go. We took a brief detour to the vocabulary used of developing countries, and I tried to bring out their three country classifications that are generally used in the literature; apart from the first, second and the third world used by demographer the French demographer an economist Alfred Sauvy. So, we also looked at the classifications called the triad or the Global North; the third world or the Global South.

And also the other set of developing countries referred to as Central and Eastern Europe Turkey and Central Asia. And we also briefly discussed if there are historical reasons, why the developing countries are divided into the third world and Central Eastern Europe and Turkey, and Central Asia. After looking at these distinctions of these classifications

of different countries, we also saw what is the population distribution in these countries and the GDP distributions as well.

What we found was that the global population is largely concentrated in the third world or what we know is the Global South. Whereas, the global GDP distributions are largely concentrated in the Global North, when we try to see the global GDP per inhabitant that gave us a more striking picture, which means that per person in a Global North; more people have more access to incomes whereas, in the Global South the per person income is very low.

Now, what does this mean, this basically means that the people in the Global North have more access to basic amenities of living and more, whereas people in the Global South may not even have access to the basic amenities of living. After looking at these distributions of population, we also looked at some of the general structural characteristics of the developing countries, while there are various structural characteristics or commonalities across the developing countries I touched upon three important characteristics.

First was occupation and production structure, then demographic characteristics of the demographic structure and the third was international trade and terms of trade. Now, in terms of occupation and production structure we looked up a few indicators, the first among them being value added in agriculture sector as a percentage of GDP, it basically shows us what is the contribution of agriculture to GDP.

And we took examples of the developed countries, the developing countries and also the very low income countries. So, you can say going by the world bank classification, we looked at examples of high income countries, middle income countries, low middle income countries and low income countries. The high income countries example that we took was USA, UK, Japan and France; the middle income country example we took was that of China; the low middle income country example we took was of India and Bangladesh; and the low income countries were countries from Sub-Saharan Africa such as Angola and Benin.

And what did we find? We found that the contribution of agriculture to GDP is much higher; in the low income countries than in the high income countries. In India and Bangladesh for example, contribution of agriculture to GDP was almost close to 20

percent, and if we put all the developing countries together, it might go up to as high as 30 percent. We also looked at employment in agriculture as percentage of total employment, and what we found in here was that a very large share of total population gets employed in agriculture. And for India and Bangladesh the percentage was very close to 40, which means that more than 40 percent of population find employment in agriculture in the developing countries of the world.

The GDP per capita purchasing power parity, obviously showed that the levels of income in the low income countries are much lower than that of the high income countries, we also looked at the human development index. Now it, you must note here that while GDP has its own limitations the human development index has come up, as a plausible alternative to representing economic development across the world and as the course progresses, we will look at it in detail.

However, the human development index showed that the high income countries had a high level of high human development index whereas, the low income countries had a low human development index. But it is important to note here that incomes need not necessarily show a very high level of human development, because experiences and empirical exercises have shown us that countries which have very high income levels; may not necessarily have very high access to education, or health facilities, or access to various kinds of opportunities, including political stability and so on and so forth. So, that is a matter of debate. But in terms of commonalities of developing countries, we do see that high income countries of a high level of human development than the developing countries.

We also looked at the percentage of a female in labor force, and what we found was that the developed country such as USA, UK, France, Japan had more females in their labor force than the developing countries such as India and Bangladesh. But it is also important to note here that while the overall participation of women in the labor force may be low in the developing countries; but if we look at the rural agricultural sector, the number of women participating in agriculture and developing countries is very high. So much so that there is an emergence of what we refer to as feminization of agriculture in the developing countries; however there are various other economic and social reasons, why that has come to be.

We also looked at the demographic structure of the developing countries, and some of the commonalities that emerged here are with respect to the birth rates, death rates and fertility rates. What we found was that the birth rate and death rates, and fertility rates are much higher in the low income countries than the high income countries. First we made a comparison between USA, UK, Japan, France and that of India and Bangladesh; and the birth death and fertility rates are of course, very high in India and Bangladesh than the rest. And then we juxtapose to Sub-Saharan African countries into the figures, and we saw that the fertility rates, and birth rates, and death rates are much higher in these countries than that of India and Bangladesh as well.

Now, if we look at the time series which we did between 2000 and 2015, you will see that globally birth rates and death rates have been plummeting, they have been declining, fertility rates have also been declining. However, it is important to note that the levels of birth and death rates, and fertility rates are higher in the developing countries globally. And also the gap in birth rate and death rate, which reflects the high rate of population growth means that there is a very high young population, high incidence of young population in the overall population of the developing countries.

And of course, that has it is associated economic problems, because high young population, incidence of young population means that there is a very high dependency ratio in these countries, apart from the fact that the levels of wage rates are low; and the labor productivity is low and accompanied by the social problems of child labor and so on and so forth.

Lastly we also looked at international trade in terms of trade, I briefly discussed about the export mix of a developing countries, and we saw that the export mix of developing countries mostly constitute of primary goods. However, there have been some changes in this export mix in the post liberalization phase, where we do see an abundance of a primary goods or agricultural products, but they are industrial agricultural products than primary agricultural products, we can keep the discussion for later. But all said we do we still do see that, the export mix of the developing countries have a more, primary goods dominance than manufactured goods; whereas, the industrialized countries of the developed countries have a more incidence of manufactured goods.

It is important also to note here, that while industry is more has expanded in the developed countries than in the developing countries, and there is more people in agriculture and the developing countries. We also see a rapid rural urban migration and the developing countries. And this is a matter of concern as far as the demographic structure and the occupational structure of the demography of the developing countries is concerned. I also briefly discussed, the social security arrangements of the developing countries, what we found was that the so the developed countries have a more pronounced formal sector than the developing countries.

As a result of which the social security arrangements are more elaborate in the developed countries, they are as high, they can go up to as high as 70 percent in countries such as the Scandinavian countries such as Sweden and Finland. It is also as high as about, 30 percent of total government expenditures in the USA; however, the developing countries or the underdeveloped countries in general, mostly have anti-poverty programs and lack elaborate social security programs. And, there is a lot that the developed developing countries can learn from the experiences of the developed countries with respect to social security arrangements.

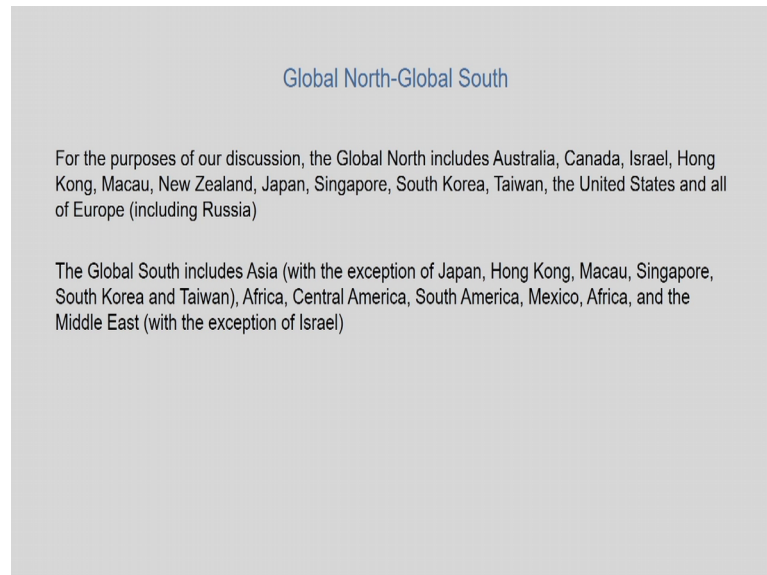
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Now, having introduced you to these structural characteristics or commonalities of the developing countries, this is how the picture looked like; the red areas are generally the

Global South, the blue areas are the Global North. And you can think of the North South divide as being primarily that of a socio-economic and political divide.

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These are the countries that are mostly covered in Global North, it covers the West and the first world, along with much of the, so called second world you have Australia, Canada, Israel, Hong Kong, New Zealand, Japan, Singapore, South Korea, Taiwan, United States, Western Europe including Russia, the Global South includes Asia, Africa Central America, South America, Mexico, Africa and the Middle East with the exception of a Israel. Now, there are various factors that that of course, distinguish this political divide between the Global North and the Global South, but just to summarize some of the important points as we have already discussed.


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- In economic terms, the North—with one quarter of the world population—controls four-fifths of the income earned anywhere in the world.
- 90% of the manufacturing industries are owned by and located in the North.
- Inversely, the South—with three quarters of the world populations—has access to one-fifth of the world income.
- As nations become economically developed, they may become part of the "North", regardless of geographical location.
- similarly, any nations that do not qualify for "developed" status are in effect deemed to be part of the "South".

Just to give you a quick snapshot of our discussion, in economic terms the North contains about one-fourth of the total population, but it controls more than four-fifths of the incomes earned globally, 90 percent of manufacturing industries are located in the North. In the South, three-fourths of the world population live, but they have access to only about one-fifth of the world income. And also this distinction between the Global North and the Global South has become increasingly less rigid, in the last two decades or so, which we will discuss in the next slides. And therefore, it is not just a matter of, it is not no longer it just a matter of geographical location that countries may be categorized as the Global North of the Global South.

So, when nations become economically developed, they may become part of the North regardless of their geographical location. And similarly, any nation that does not qualify for developed status can effectively be a part of the South.

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Globalization refers to the increased flow of trade, people, investment, technology, culture, ideas among countries and creates a more integrated and interdependent world

Let me now, introduce you to some off to a working definition of a globalization, and it is important to draw your attention to this term globalization, because this terminology is at the center of discourse of the Global North and the Global South. And the term globalization has various dimensions to it, it has a sociological dimension, it has an economic dimension, it has a political dimension, it has a cultural dimension; however, in terms of the discussion that we are in right now.

Working definition of globalization would mean the free flow of goods and services across the national boundaries of the countries across the world. So, which basically it means that there is a free flow of goods and services, or free flow of international trade across countries. More systematic definition would need to look at globalization as increased flow of trade, people, investment, technology, culture, ideas among countries and that which creates a more integrated and interdependent world. Now, this terminology globalization is as much a social and economic agenda as a political agenda, as I have already said.

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World Bank's Prescription wrt Globalization

- First, countries should dismantle protectionist measures they have in place, and make a firm commitment not to implement policies that distort global markets.
- Second, countries should come together to update the international rules governing trade to account for changing economic conditions, and effectively implement negotiated agreements.
- Third, individual countries and institutions such as the World Trade Organization should work together to eliminate barriers that increase trade costs. In particular, they must abolish agricultural subsidies, remove restrictions on trade in services, improve connectivity, facilitate cross-border trade and investment, and increase trade finance.
- Finally, and most important, wealthy countries should support developing countries' efforts to integrate themselves further into the global economy. Given trade's record of reducing poverty, this is a moral imperative; it is also indispensable for peace and stability.

And it is here, that it is important to bring in the idea of a what is the World Bank's prescription with respect to globalization. The World Bank is a Bretton Woods institution, and there are certain prescriptions made with respect to globalization which is which has made the political divide between the global and the Global North and the Global South more intense. The first prescription is given by the World Bank is to dismantle protectionist measures that the developing countries have in place, and make a firm commitment not to implement policies that distort global markets.

Now, this basically means that developing countries that have more income support, price support, policies in agriculture, in industry and in various other social sectors of their countries, they must bring down their support, so as to provide more space for private investment. And the state should withdraw from provision of various goods and services, and it also prescribes that the country is the national governments across, the across the globe should have a firm commitment towards this ideology of reducing public investment, and increasing private investment that is the first prescription.

The second prescription is that country should come together to update the international rules governing trade, to account for changing economic conditions and effectively implement negotiated agreements. Now, this if you read carefully, read this point carefully, it basically says that national governments across the world should commit themselves to the international prescriptions, being made by the international financial

institutions with respect to trade and agriculture policies, which is also related to the first point on dismantling protectionist measures.

The third prescription given by the world bank is, with respect to individual countries and institutions such as the world trade organization, they should work together to eliminate barriers that increase trade costs; in particular they must abolish agricultural subsidies, remove restrictions on trade and services, improve connectivity, facilitate cross-border trade and investment, and increase trade finance.

Now, this point is basically pointing to an increased flow of goods and services through international trade, and increased flow of international finance, increased flow of capital not just in the form of capital, but also different forms of capital such as international finance. And finally, and the most important World Bank prescription is with respect to the fact that well the country should support developing countries efforts to integrate themselves, further into the global economy. Given trade's record of reducing poverty, this is a moral imperative; it is also indispensable for peace and stability.

Now, this is a complex point and it is a difficult point, it is a debatable prescription; this prescription is at the root of various international debates globally, wherein it considers a trade or international trade is the only route to reducing poverty. And this, and it is the this prescription is reiterating the fact that it is a moral imperative of the developed countries of the wealthy countries to support the developing countries, preferably in terms of international aid.

So, international aid becomes one of the strategies of a bringing about economic integration of the developed and the developing countries, and also it suggests this prescription suggests that it is important to arrive at peace and stability in the developing countries. And this World Bank prescription of globalization which leads to structural adjustment programmes in countries basically talks about, in a nutshell talks about, increased role of private markets or increased market liberalization, increased trade liberalization such that governments or the states may withdraw from the different sectors in which private investment can be made possible.

Now, what was this prescription of globalization trying to paint, it was trying to paint a picture. It was trying to paint a picture of the emergence of the Global South. It was trying to paint a picture of trying to of integrating the Global North and the Global South.

And in the words of professor Prabhat Patnaik, it was trying to bring about a massive diffusion of development within the capitalist world order from the north to the south, through this economic integration, through integration of a markets, through integration of agricultural and industrial markets, through bringing about more trade in goods and services such that the historically observed, duality of the Global North and the Global South can disappear.

And this was the picture that was being painted by the World Bank prescription of globalization, and it had certain assumptions as well. The assumptions can be drawn from the structural characteristics of the developing countries themselves. one of the first assumptions was that real wages in the south are much lower than in the north, since the south is overpopulated with large labor reserves; this basically means that since developing countries of the world are overpopulated, and they have low wage incomes, low institutional support systems, lack of institutional support systems, low infrastructure arrangements and so on and so forth. They have low real wages, and it is important that these low real wages be taken advantage of by the Global North.

So, a second assumption was that in a world where capital is more mobile, capital from the north, we will shift its location of production activity from the north to the south to take advantage of these low wages for meeting global demand, what it basically means is that because of increased globalization and liberalization, and privatization while labor is not, labor has its has a rigidity, labor has its own problems of not becoming mobile across national territories, however capital could. So, if in, so because of increased trade liberalization and privatization, and globalization it can become possible for capital from the Global North from the to reach out to the Global South, and take advantage of the lower real wages of the Global South, to meet the global demand.

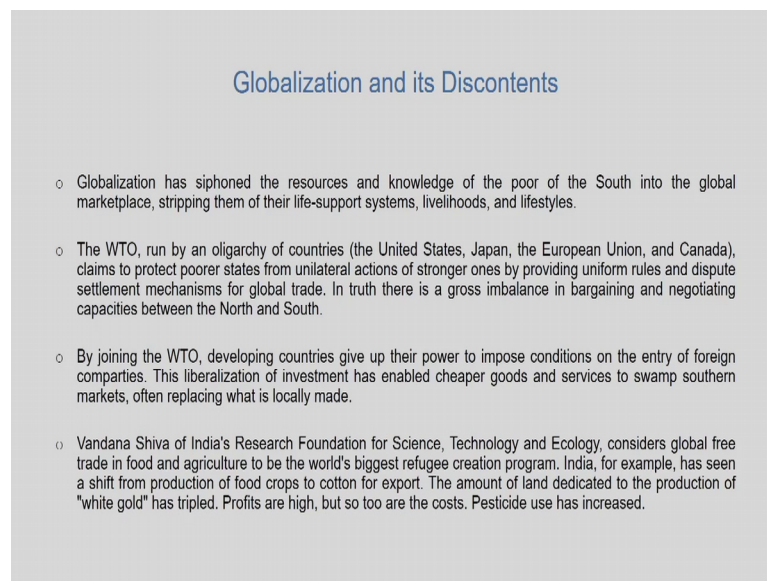
A third assumption was that even if capital from the north is for some reason not able to move to the south, local capitalists in the south who have access or can obtain access to sophisticated production technologies in different spheres, can produce in the south to meet global demand and this is what is referred to as the technology transfer component of globalization.

One of the facets of globalization was free flow of technology from one country to the other. So, while capitalism may or may not be movable from the Global North to the

Global South; due to technology transfer people capitalist, thus the capitalists in the Global South themselves, can take advantage of the low real wages of the Global South. And produce goods and services that can be transacted in the international market and the global demand can be met.

So, this picture of a globalization that was painted began seeing its it had its own discontents. And discontent with globalization, began from the 1980s itself from the time it was prescribed, but it intensified in the 1990s and 2000s. In the 1990s developing countries across the world because of the prescriptions of the IMF and the World Bank, began seeing a deep gulf in inequalities in their own countries. And the financial crisis of the of 2007 and 2008 in the advanced countries of the world are brought about more fragility to this idea or ideology of privatization as posed by the World Bank.

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The slide has a light gray background. At the top center, the title "Globalization and its Discontents" is written in a blue, sans-serif font. Below the title, there is a list of four bullet points, each preceded by a small blue circle. The text of the bullet points is in a black, sans-serif font.

Globalization and its Discontents

- Globalization has siphoned the resources and knowledge of the poor of the South into the global marketplace, stripping them of their life-support systems, livelihoods, and lifestyles.
- The WTO, run by an oligarchy of countries (the United States, Japan, the European Union, and Canada), claims to protect poorer states from unilateral actions of stronger ones by providing uniform rules and dispute settlement mechanisms for global trade. In truth there is a gross imbalance in bargaining and negotiating capacities between the North and South.
- By joining the WTO, developing countries give up their power to impose conditions on the entry of foreign companies. This liberalization of investment has enabled cheaper goods and services to swamp southern markets, often replacing what is locally made.
- Vandana Shiva of India's Research Foundation for Science, Technology and Ecology, considers global free trade in food and agriculture to be the world's biggest refugee creation program. India, for example, has seen a shift from production of food crops to cotton for export. The amount of land dedicated to the production of "white gold" has tripled. Profits are high, but so too are the costs. Pesticide use has increased.

Let me take you through to what was this discontent with globalization. Now, many of you must be aware of the violence that erupted in Seattle in 1999 at the World Trade Organization submit, it was basically a backlash against globalization of diverse groups that were opposing this process of globalization. There were labor union groups, there were trade unionists, there were environmentalists, there were those opposing sweatshops, there were those opposing genetically modified seeds, genetically modified foods, coming into their national territories. So, there was a lot of backlash.

Now, there was no consensus among these diverse groups of population who were people who were opposing globalization, but what is important to note here is that there was an opposition, and that is what came into the limelight. The global backlash, the global opposition against this massive trade liberalization and privatization that was afflicting countries across the world. And these opposing groups were trying to reiterate some basic points regarding the devastating impact of globalization, and the damages the globalization was bringing about.

One of the first things that were pointed out was that despite the WTO claim that globalization is natural, inevitable and evolutionary, and that it will bring about prosperity and growth to all members of the global community, the reality was found to be quite different. It was actually globalization siphoned resources and knowledge of the poor of the South into the global marketplace, stripping them of their life-support systems livelihoods and lifestyles.

The globalized strategies of a providing private investment in various social sector programs such as in that of extension services in agriculture and so on and so forth. Seeds the use of high yielding, the use of genetically modified seeds in agriculture, saw that there is a siphoning of resources with respect to local knowledge of let us say conserving those seeds, traditional knowledge of how to of production systems, these developing countries found that they are being siphoned off these traditional knowledge of production systems.

The second point was that the WTO or the World Trade Organization was highly unequal in terms of power relations. So, it was claimed that it was run by an oligarchy of countries mostly the Global North or the triad, and while they claimed to protect poorer states from unilateral actions of stronger ones by providing uniform rules. And dispute settlement mechanisms for global trade, the reality was that there is a there was a gross imbalance in bargaining and negotiating capacities between the North and the South, and this is an important point here.

Countries across the world when we refer to Global North and the Global South that there is a political divide, that there is an associate that there is a socio-economic divide, that they have followed vastly different models of development, they have they have said they have had different histories means that no uniform prescription can be followed by

the developed and the developing countries. So, there was a problem for the uniformity in the prescriptions, to be followed by the by the Global North and the Global South. If you recall the world bank prescription of countries trying to commit to the international rules of the World Trade Organization and international trade and so on. It became increasingly difficult for the national governments across the Global South to commit to these uniform rules, because these uniform rules went against the terms of trade, as far as the developing countries was concerned.

By joining the WTO developing countries gave up their power to impose conditions on the entry of foreign companies. This liberalization of investment also enabled, cheaper goods and services to crowd in the southern markets, and often this led to replacing of the locally made goods and services, locally made goods. The local operators were also wiped out of the competition, and it led to unprecedented retrenchment and dislocation. And if you follow the literature, growth literature the development literature of the 1990s and the 2000s you would see that inequality in the developing countries has rise into such an extent, leading to massive displacement of the rural labor force from the rural economy.

The movement of the rural population to the urban areas, does not see an associated increase in employment in the industrial sector or in the urban sector. While the rural population has been displaced from the rural areas, there is no there are no takers of these population in the urban areas. So, which means that no opportunities of employment have been created in the urban areas; and this is primarily the biggest displacement, it is claimed that the biggest displacement of workers have taken place in the developing countries in the post liberalize liberalized era.

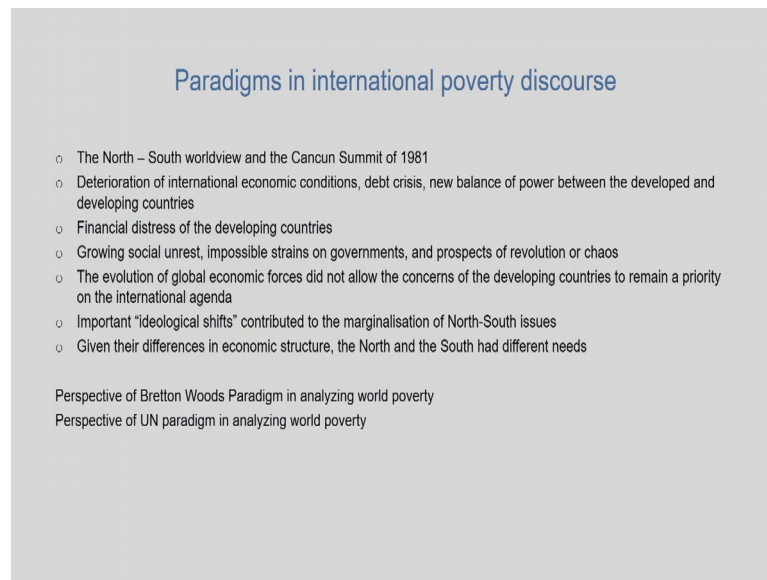
Scholars such as Vandana Shiva of India's research foundation for science technology and ecology also talk about, how globalization through its use of globalization and agriculture, through its use of genetically modified seeds have led to a shift in cropping patterns, and has also led to the biggest refugee creation program. This there has been a massive shift in production systems from primary from primary products to production of cash crops, in different countries across the world. And this has along with it, profits are high; profits of these genetically modified crops are high, but at the same time the costs are high; the fertilizer uses high; pesticide uses high.

So, while the developing countries have reduced their expenditure on social sector for example in the agricultural sector, price support in the form of extension services or fertilizer subsidies etcetera have come down. But the use of fertilizer has gone up, which means that the incomes have come down, incomes of those engaged in agriculture have come down, because the costs have gone up. And this has led to a massive retrenchment of workers from the rural agrarian economy, without creating any opportunities of employment in the industrial sector, and that is a massive discontent with respect to globalization.

Now, just to summarize the discussion so far, what we try to see is that there is a socio-economic political divide with respect to the Global North and the Global South. And there is a politics that divides the Global North and the Global South, you can look at it in terms of a poverty curtain. However, globalization the very ideology of globalization is at the center, we can put it in the center for discussion with respect to these this divide. We saw that globalization is a political agenda, it is an economic agenda it is a cultural agenda.

World bank is at the helm of its affairs, there are certain prescriptions made by the World Bank with respect to globalization, to which the Global South has to adhere to if it has to be a part of the international markets, we also saw what was the assumptions of this globalization project, what were the assumptions with respect to the Global South to make the globalization project successful. And then we very briefly also saw, what are the discontents with respect to globalization and why there is a massive backlash to this project of globalization.

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Paradigms in international poverty discourse

- The North – South worldview and the Cancun Summit of 1981
- Deterioration of international economic conditions, debt crisis, new balance of power between the developed and developing countries
- Financial distress of the developing countries
- Growing social unrest, impossible strains on governments, and prospects of revolution or chaos
- The evolution of global economic forces did not allow the concerns of the developing countries to remain a priority on the international agenda
- Important “ideological shifts” contributed to the marginalisation of North-South issues
- Given their differences in economic structure, the North and the South had different needs

Perspective of Bretton Woods Paradigm in analyzing world poverty
Perspective of UN paradigm in analyzing world poverty

Now, let me bring you to an important discussion pertaining to world poverty. Over the years, particularly since the middle of the 1990s we see that this distinction of Global North and Global South or this reference to Global North and Global South has come down, and there is an increasing literature that is being provided to us from the international organizations with respect to an analysis of poverty.

And I will try to bring out a few points starting with 1980s. The Global North and the Global South discourse was at its peak in the beginning of the 1980s, starting from the 1960s to the 1970s and so on. And as we will see later on, in this course that the 1960s and the 1970s, also saw the emergence of what we know as the growth models. And these growth models were based on empirical exercises of the developed countries of the world such as the USA, and these growth models showed that there is only one form of development that is through increase in incomes and private capital formation and so on and so forth.

Now, and there is a lot of literature, which tells us that how the Global South if it has to catch up with the Global North, must follow these mainstream models of economic growth; however, this project of economic growth suffered huge problems, starting with the 1980s. And there were and there were a number of structural features why it is started in the 1980s, while there can be various starting points to which this discussion can be pitched to, I would start with the 1981 Cancun summit which took place in Mexico,

which really saw the decline of this political debate with respect to the Global North and the Global South.

This was submit in which there was a dialogue was supposed to be established within the Global North and the Global South, but they were huge differences, this submit did not see an agenda; there was no agenda placed in this submit. There was Soviet Russia did not participate in this submit, the Cuba was excluded or to this out of the submit, on the request of the USA, therefore the submit broke down.

And because of the failure of the 1981 Cancun submit, there was a collapse of the North-South dialogue as well. The 1980s is also referred to as a period of lost decade, because this was also the period in which the debt crisis started in the Latin American countries, largely based upon the prescription of the of structural adjustment program of the, largely based upon the prescriptions of the World Bank.

And you would see that because of the debt crisis, the World Bank prescribed another set of programs referred to as a structural adjustment program, in which conditional loans were provided by the Bretton Woods institutions such as the IMF and the World Bank to the developing countries, under the conditions that they must bring down protection protectionist strategies followed in their industry and in their agriculture.

So, what happened in the 1980s was that there was a new balance of power that developed between the developed and the developing countries. There was a deterioration of international economic conditions, debt crisis intensified, financial distress in the developing countries intensified, which gave rise to a lot of social unrest, and there was a lot of strain on governments of developing countries, and there was prospects of revolution or chaos as well. And this evolution of global economic forces, did not allow the concerns of developing countries to remain a priority on the international agenda.

There was an ideological shift towards a structural adjustment program, and this contributed to the marginalization of the Global North and the Global South dialogue. However, in the 1980s governments also started realizing that the economic needs of the Global South and the Global North are so different and disparate that is that it impossible to have a common ground and it is not possible to follow the uniform prescriptions of the international financial institutions.

So, most observers claim that the parameters of the North-South debate changed drastically in the 1980s, and there were varied explanations for this, some said that the traditional North-South divide is giving way to a more mature relationship; that the North-South divide does not exist anymore. The Global North also has seen rapid economic development and therefore, the divide is coming down. Some said that the South or the third world no longer exists as a meaningful homogeneous entity as a single entity or that it has ceased to be a political force in world affairs.

And some others suggested that the North is generating it is and as an emergence of its own internal South, and that the South has formed a thin layer of society that is fully integrated into the economic North. And it is also important to note that it is the 1980s that also brought to the fore, the discussions with respect to the United Nations human development index, there was a discussion with respect to Amartya Sen's poverty and famines. There was discussion with respect to the capabilities approach, and these approaches were being posed as an alternative to the income approach, based measurement of economic development.

Now, could to cut a long story short, the what it meant was that the understanding of international inequality and poverty substantially transformed, in the years leading up to the financial crisis of 2008 between the 1990s and the 2000s rapid transformations took place in the world economy, as a result of which the Global North, Global South agenda came down, and different picture of world poverty started getting discussed.

Now, let me at this point of time introduce you to as some scholars suggest two competing interpretations of world poverty or international poverty and that is the Bretton Woods Paradigm and the UN paradigm. Now, the Bretton Woods Paradigm basically brings out the discourses and practices of international organizations such as the World Bank, the international monetary fund which was formed during the Bretton Woods conference in 1944. It also included the GATT the General Agreement on Trade and Tariffs, and now the WTO the World Trade Organization.

The UN paradigm is linked to the discourse and practices of the UN agencies such as the UN economic and social council, the UNDP or the United Nations Development Program, which is responsible for the annual publication of the human development reports. The ILO the International Labor Organization which have it started talking

about, which started bringing to the international forum issues on social security, protection of promotional and protection measures of social security, and how social security measures need to be expanded to the developing countries of the world. The UNICEF and it is important to note here that the mandate of these UN agencies was primarily concerned with the socio-political issues, as opposed to the Bretton Woods institutions such as the World Bank and the IMF, wherever concerned more with issues of economic integration and trade, and carrying ahead the major characteristic features of the Washington consensus and so on and so forth.

Now, I have already mentioned in my previous lectures that (Refer Time: 44:26) on the ideas emerging from international institutions is important, because they have played a key role in the analysis of a international that the discussion on global distribution of resources. For example, the United Nations and related agencies were developed to deal with different aspects of a international poverty.

Now, there is there are certain common grounds shared by the Bretton Woods institutions and the UN paradigm. And there are a lot of important differences in the analysis of world poverty given by these institutions as well. A common ground that they share is that both explain; how globalization has upset the North-South political divide or the North-South vision of world poverty, but they diverge on the fact that Bretton Woods Paradigm forwards globalization as a factor favoring integration and progress whereas, the UN paradigm sees globalization as a multiplier of inequalities.

So, the Bretton woods institutions continue to look at trade related issues, bringing down protection measures, enhancing trade relations between different countries with the focus on economic integration, and they continue to pose international trade as the important determinant or important factor that can reduce poverty in countries across the world.

But on the other side poverty, so on the one side the Bretton Woods institutions consider poverty as a residual, as something which is declining, something which is raining across geographical regions in different countries of the world. Whereas the UN organizations or the UN paradigm looks at poverty as being something on a rise, in equality being on a rise and because of globalization and it is disparate effects on different countries across the world. It looks at poverty and inequality as a serious problem.

And the UN paradigm does not look at poverty, as something which is afflicting only the developing countries of the world; but also the developed countries, there are pockets of poverty within the developed countries as well, and that is also focus of the UN paradigm. The Bretton Woods Paradigm links poverty to the economic policy choices of the national governments whereas, the UN paradigm emphasizes on the lack of international cooperation with respect to dealing with issues of poverty and inequality.

Now, these differences in perspective has resulted in a two distinct political projects, one pertaining to the Bretton Woods institution and the second pertaining to the un paradigm. The Bretton Wood Paradigm favors a complete market liberalization, it still talks about it still prescribes policies, prescriptions. It still gives prescriptions to the developing countries wherein they are required to bring down their stocks of food, they are which is used for say for example, public distribution system within countries, they still talk about prescriptions which should allow private investment in the hitherto, in the areas which were hitherto left for the government. So, it is still talking about bringing down public support of the social sector in the developing countries.

The UN paradigm on the other hand insists on, the need to subordinate the functioning of the world economy to objectives of social equity and sustainable. And one can be sure that the Bretton Woods Paradigm still enjoys some kind of a domination, as far as a world poverty analysis is concerned. However, in the face of domination of the Bretton's paradigm, the UN paradigm comes up with the most plausible and coherent alternative narrative on world poverty. Where the UN paradigm also has started to has long back started talking about structural and adjust, but adjust with a human face.

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Three approaches to world poverty			
	Traditional North-South Approach	Bretton Woods Paradigm	UN Paradigm
Worldview	Bipolar division between rich and poor countries	Inclusive globalization Economic integration	Two-tiered globalization Social exclusion
Geography of Poverty	Developing countries	Least-developed countries	Developed countries and developing countries
Determinants of Poverty	External factors (economic environment dominated by developed countries)	Internal factors (non 'market-friendly' economic policies)	Internal and external factors (conflict between economic objectives and social needs)
Political Platform	New international economic order	Liberalization of markets Competitiveness of firms	Sustainable human development Inter-generational equity

Source: Therien, Jean-Philippe (1999), "Beyond the North-South Divide: The Two Tales of World Poverty", Third World Quarterly, Vol. 20, No.4.

Now, to sum up this discussion on this a new approach to world poverty where the Global North, Global South divide is being underplayed. There are three approaches basically, which is followed by scholars across disciplines to be able to study world poverty; one is the traditional of the North-South approach, second is the Bretton Woods Paradigm and the third is the UN paradigm, as I have already discussed.

First is the world view the traditional North-South approach has the world view that the world is divided between rich countries in the poor countries; the rich countries being the Global North and the poor countries being the Global South. The Bretton Woods Paradigm says that the world view is that there must be inclusive globalization; it calls for increased economic integration of the global rich and the global poor. It talks about the economic integration of North and South, based upon the premise that there are certain structural characteristics of the developing countries such as low wage rates which can be taken advantage of by the developed countries.

So, the world view provided by the Bretton Woods Paradigm is that, because there are certain structural characteristics of the developing countries that can be taken advantage of by the Global North, there is a possibility that it can lead to more economic integration and inclusive globalization. The UN paradigm talks about, Two-tiered globalization; it is actually bringing in the issue of social needs of population in the countries, the UN

paradigm is talking about globalization with a human face or adjustment with a human face, where it is talking about while income growth should be taken care off.

We must also be concerned about, distribution of income in the population of the country; whether or not it is leading to more and more exclusion of its population or it is becoming more and more inclusive. So, the UN paradigm is trying to bring in the importance of other socio-economic factors or indicators such as health or education, or even to the extent of bringing in the issues of women's empowerment and political stability in countries as well.

The traditional North-South approach thought of in terms of the geography or location of poverty the North-South approach forwarded the idea, that poverty is largely located in the third world of the developing countries. The Bretton Woods Paradigm also talked about, the location of poverty in the least developed countries, which are more or less the same as a third world countries, whereas the UN paradigm brought in this vision of geography of poverty, the UN paradigm started talking about poverty in the developed countries as well. Which is why the UN paradigm also started talking about, the differences in relative incomes or relative income levels in the developed countries.

Now, it is also important to note here that, because the Bretton Woods Paradigm talked about geography of poverty being in the least developed countries, there were there were a lot of geographical targeting measures or policy prescriptions that were also provided by the Bretton Woods Paradigm. In terms of the determinants of poverty, the traditional North-South approach talked about external factors, economic environment dominated by the developed countries.

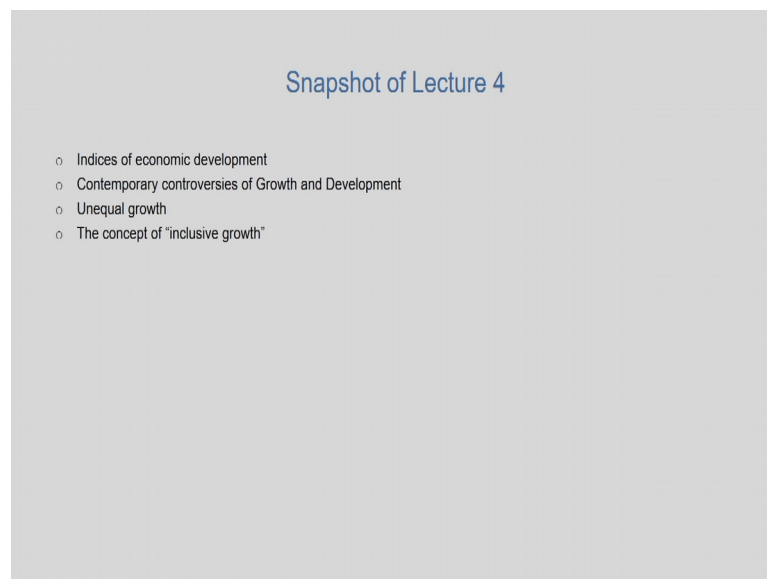
The Bretton Woods Paradigm talked about internal factors, the Bretton Woods Paradigm basically said that, there are the national governments in the developing countries are becoming are more are non-market friendly, they have left the social sector and various other sectors largely to the state to the governments. And the governments or the states must withdraw from the markets, from the different sectors to be able to make them more market friendly, and therefore the Bretton Woods Paradigm suggested more market liberalization.

The traditional North-South approach focused on historical reasons, as the important determinants of why the Global North and North and Global South had the political

divide. UN paradigm started talking about both internal and external factors, UN paradigm started talking about both market the role of the market, the role of economic determinants, as well as the history of the Global North and the Global South or the developed countries in the developing countries, and how that becomes, how they are, they contribute to a poverty of the developing countries.

And the political platform that these approaches used to forward their ideas of a economic development. The traditional North-South approach talked about a new international economic order, basically integrating the North in the South, and what Prabhat Patnaik was referring to as diffusion of development of the North into the South. Bretton Woods Paradigm started talking about, liberalization of markets and a competitiveness of firms. And the UN paradigm started talking about, sustainable human development and intergenerational equity. In the last 20 years or so, we see a dominance of a discussion with respect to all of these liberalization of markets human development and intergenerational equity, in the literature on growth and development.

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So, in today's lecture, we tried to locate the political and socio-economic reasons that brings about this divide between the Global North and in the Global South. We tried to come up with a working definition of globalization. We saw, how globalization is at the center of this discourse of Global North and Global South. We saw, what are the prescriptions of the World Bank with respect to globalization, what does it mean for the

Global North and the Global South. We also saw, what are the assumptions based upon which World Bank prescription on globalization is based on. We had a brief look into what are the discontents of globalization and how there has been a backlash to this project of globalization.

And then we also saw, how starting from the 1980s and intensifying in the 1990s and 2000s this divide of Global North and Global South has come down, and there is a different there is a reorientation in terms of analysis of international poverty or world poverty. In the next lecture, we will look at some of the indices of economic development we will also look at some of the contemporary controversies with respect to growth and development. We will try to see, when we are saying that the 1990s saw our deepening of inequality in countries globally, what does this unequal growth really mean and a related concept of inclusive growth, which is being forwarded by the Bretton Woods Paradigm and the UN paradigm as well, what does inclusive growth really mean. So, this would be the, this is a snapshot of lecture 4.

Thank you.